

(i) returning surplus income to its members or workmen's compensation policyholders on a periodic basis; and
(ii) reducing initial premiums in anticipation of investment income.

(b) EFFECTIVE DATE.—The amendment made by this section 26 USC 501 note shall apply to taxable years ending after the date of the enactment of this Act.

Subtitle F—Organizations Subject to Section 833

SEC. 351. ORGANIZATIONS SUBJECT TO SECTION 833.

(a) IN GENERAL.—Section 833(c) (relating to organization to which section applies) is amended by adding at the end the following new paragraph:

"(4) TREATMENT AS EXISTING BLUE CROSS OR BLUE SHIELD ORGANIZATION

"(A) IN GENERAL.—Paragraph (2) shall be applied to an organization described in subparagraph (B) as if it were a Blue Cross or Blue Shield organization.

"(B) APPLICABLE ORGANIZATION.—An organization is described in this subparagraph if it—

"(i) is organized under and governed by State laws which are specifically and exclusively applicable to not-for-profit health insurance or health service type organizations; and

"(ii) is not a Blue Cross or Blue Shield organization or health maintenance organization."

(b) EFFECTIVE DATE.—The amendment made by this section 26 USC 833 note shall apply to taxable years ending after December 31, 1996.

Subtitle G—IRA Distributions to the Unemployed

SEC. 361. DISTRIBUTIONS FROM CERTAIN PLANS

MAY BE USED WITHOUT ADDITIONAL TAX TO PAY FINANCIALLY DEVASTATING MEDICAL EXPENSES.

(1) IN GENERAL.—Section 72(t)(3)(A) is amended by striking

"(B)."

(2) DISTRIBUTIONS FOR PAYMENT OF HEALTH INSURANCE PRE-

MIUMS OF CERTAIN UNEMPLOYED INDIVIDUALS.—

Paragraph (2) of section 72(t) is amended by adding at the end the following new subparagraph:

(D) DISTRIBUTIONS TO UNEMPLOYED INDIVIDUALS FOR HEALTH INSURANCE PREMIUMS.

(i) IN GENERAL.

Distributions from an individual retirement plan to an individual after separation from employment.

"(I) if such individual has received unemployment compensation for 12 consecutive weeks under any Federal or State unemployment compensation law by reason of such separation,